

# Memo

**To:** HUD Grant Steering Committee  
**From:** Economic Prosperity Strategy team<sup>1</sup>  
**Re:** Revised Draft Economic Prosperity Strategy Framework  
**Date:** January 3, 2014

The Economic Prosperity Strategy project team is soliciting feedback on the content of the proposed Economic Prosperity Strategy report. In November, we presented a set of potential strategies to the Steering Committee. Given feedback from the Steering Committee meeting, we produced the attached memo for consideration by the Economic Prosperity Working Group at their December meeting. The memo provides some background on the framework and briefly describes the specific strategies. The following version of the memo incorporates the feedback from the EPWG.

We are now looking for the Steering Committee to provide comments on both the framework/goals as well as the specifics of individual strategies.

## **I. Framework and goals**

The stated goal of the Economic Prosperity Strategy is to “expand economic opportunities for low- and moderate-wage workers.”<sup>2</sup> When the project began, this goal was interpreted to mean focusing on improving pathways for low- and moderate-wage workers to middle-wage jobs<sup>3</sup>. While this goal remains central to the project, there are three findings in particular that led the team to broaden the focus beyond pathways to the middle:

1. *There are limited numbers of middle wage job openings relative to the number of low and moderate-wage workers.* There are 1.1 million workers who earn less than \$18 per hour in the region (36% of workers). Projections for the Bay Area estimate that there will be a total of 300,000 middle wage openings from 2010 to 2020, compared with over 500,000 openings for both lower and higher wage occupations.
2. *Many of the middle-wage jobs are within industries that grow as the entire regional economy grows.* Given the current structure of the Bay Area labor market, there are few, if any, “middle wage” industries where the majority of jobs in that industry pay middle wages.<sup>4</sup> The major industrial sectors that have the highest share of middle wage jobs include manufacturing, transportation, warehousing, wholesale trade, construction and health care. Growing these industries can involve targeted industry cluster approaches as well as more broad-based efforts to grow the entire economy.

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<sup>1</sup> The authors of this memo include SPUR, CCSCE, SMCUCA, and WPUSA.

<sup>2</sup> See: <http://onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Economic-Prosperity-Strategy.html>

<sup>3</sup> Low- and moderate-wage jobs are defined as those that pay less than \$18 per hour while middle-wage jobs are those that pay between about \$18 and \$30 per hour.

<sup>4</sup> The one exception is postal service, where 73% of the hours worked at that industry pay middle wages. But this is an industry with a particularly uncertain future.

3. *Many of the occupations that pay under \$18 per hour are likely to remain as a major segment of the labor market, and many workers will remain employed in these jobs for their entire working lives.* Not all workers will move up to middle-wage employment, as there are not enough jobs in the middle. Jobs at the bottom of the wage scale are not going away either. Therefore, improving the conditions of jobs at the bottom will expand economic opportunities for low- and moderate-wage workers (which is the stated goal of this project).

Based on these findings, achieving the broad and ambitious goal of “economic opportunity” for low- and moderate-wage workers requires a simultaneous and coordinated pursuit of three specific goals:

1. Improved pathways to the middle,
2. Economic growth (as a way to create new middle-wage jobs) and
3. Upgrading conditions for low- and moderate-wage workers.

These goals are not listed in order of priority. Pursuit of all three of these goals is necessary to achieve a regional economy with more economic opportunity and broad-based prosperity. We further explain the logic of each goal below.

### **Goal 1: Improve career pathways from low and moderate wage work to middle wage jobs.**

Businesses report shortages of skilled workers in many sectors. Workers report a lack of education, training and experience as barriers to finding better jobs.

Moving people from low-wage jobs to middle-wage jobs is not a one-step process. There are multiple barriers to higher wages. This suggests the need to focus on pathways into higher wage work. There is simply no single strategy that will be sufficient by itself to bring greater prosperity to low and moderate wage-workers.

While education and training programs are an important part of moving people into middle-wage work, focusing on training low-wage workers will not automatically create job openings in their chosen field. The workforce development field is littered with examples of training programs, which successfully equipped workers with new skill sets only to find there were few jobs available for graduates. In order to produce training that leads to jobs and careers, such programs must be closely tied to industry needs and designed in partnership with businesses and industry associations. Without such partnerships, new training and education programs may exacerbate the structural challenges low- and moderate-wage workers already face by creating a surplus of trained job applicants, thereby heightening competition for limited openings.

### **Goal 2: Grow the Economy with a Focus on the Middle**

While middle-wage jobs are scattered across every industry, some of the industries with the greatest share or number of middle-wage jobs are in industries that grow as the economy grows (like elementary schools, grocery stores, auto repair shops and dentist offices). This suggests that increasing the numbers of jobs and improving wages throughout the economy is essential for any effort to promote upward mobility.

But projections for the region also show a declining share of middle-wage job openings even amidst substantial employment growth. This suggests that increasing the size of the Bay Area economy will not automatically expand middle-wage job openings.

Therefore, in order to produce a shift towards greater middle-wage job opportunities, economic development approaches should focus on both industries with a solid share of middle-wage work as well as industries with large numbers of middle-wage jobs. Many of these are the industries of opportunity identified in this project. In addition, economic development should include clear goals for access to employment and should be designed in partnership with community-based organizations, training and social service providers, educational systems, unions, and other institutions representing low- and moderate-wage workers.

### **Goal 3: Upgrade Conditions for Workers at the Bottom**

The data analyzed and the outreach conducted in this project make it clear that the tools available at the local and regional level will not be sufficient to move all low-wage workers up to middle-wage jobs. There are simply not enough middle-wage jobs to achieve that goal.

Current projections estimate that the Bay Area will generate approximately 300,000 middle-wage job openings between 2010 and 2020. There are presently 1.1 million low-wage workers in the Bay Area who also compete with existing middle-wage workers changing jobs as well as with the next generation of workers. With few tools at the local and regional level to significantly grow the overall quantity of middle wage jobs there is a continued need to improve conditions for low-wage workers who may remain in the bottom-tier of the wage scale.

Based on this finding, the project team added the goal of upgrading conditions for low-and moderate-wage workers to the project focus.

## **II. Proposed strategies**

The following are ten key strategies to achieve the three goals described above. They are designed to be implemented by stakeholders within the Bay Area. Each individual strategy idea came from feedback during the outreach process and/or from findings in the technical analysis and best practice review.

The team also identified state and federal actions that would help achieve the project goals. These state and federal policies or investments are listed after the table.

Goal	Strategy	Examples	Implementers
<p><b>Improve career pathways from low and moderate wage work to middle wage jobs.</b></p>	<p>1. Establish industry-driven, evidence-based sector partnerships between employers and education/training providers.</p>	<p>Industry-defined curriculum (e.g. health, ICT), post-secondary certificates focused on industry-identified job needs</p>	<p>Workforce boards, community colleges and other higher education, unions, industry, NGOs</p>
	<p>2. Improve career navigation systems and support career pathways from K-12 and beyond.</p>	<p>Networking support groups, career counseling, online job search, paid internships, apprenticeship programs</p>	<p>Workforce boards, K-12, NGOs, unions, colleges</p>
	<p>3. Expand basic-skills training designed for working adults and in a contextualized learning environment.</p>	<p>ESL, digital literacy, basic math, soft skills</p>	<p>Adult education, community colleges, workforce boards, NGOs</p>
<p><b>Grow the economy with a focus on the middle.</b></p>	<p>4. Develop regional strategies to promote and support competitive industry clusters, retain existing middle wage jobs, and expand entrepreneurship opportunities workers at all wage levels.</p>	<p>Targeted infrastructure, assistance with cluster coordination, demand generation, export assistance, business retention programs, entrepreneurship training, coordination among economic development providers and cities on local tax policy and/or permitting.</p>	<p>Economic development offices, business organizations, anchor employers, SBDCs, unions, colleges/ universities</p>
	<p>5. Rebuild and expand infrastructure (transportation, water, energy) in a way that supports job growth.</p>	<p>Long-range capital plans, local sales tax measures, road pricing and tolls, bonds (GO, revenue), public private partnerships (PPPs)</p>	<p>Local governments, special districts and utilities (water, sewer, energy), MTC, public transit providers, private partners</p>
	<p>6. Effectively plan for a range of diverse needs and land uses to accommodate the region’s growth, including dense employment near transit, housing at all income levels, and industrial land.</p>	<p>Plan for jobs and housing growth in places with strong markets, adopt industrial preservation policies or employment lands zoning.</p>	<p>MTC, ABAG, cities, counties, congestion management authorities</p>

	7. Manage transit as an integrated regional system that is easy to navigate and so that there are viable alternatives to driving to work for workers of all wages.	Regional fare policy (no transfer penalty), schedule coordination, last/first mile shuttles, ridesharing apps coordination where transit not viable	MTC, transit operators, anchor employers, employer associations, managers of business parks
<b>Upgrade conditions, particularly for workers at the bottom.</b>	8. Raise the floor by increasing minimum standards for equal opportunity, working conditions and compensation in low-to-moderate wage occupations.	Minimum wage, earned sick leave, workplace flexibility, “fair chance” for those with criminal backgrounds, enforcement of wage and hour laws	Local, state and federal governments
	9. Organize and professionalize industries to improve wages, benefits, career ladders and industry productivity.	Campaigns to professionalize industries, joint labor-management training trusts, labor peace agreements, worker co-ops, day laborer organizations, associations of independent contractors	Labor unions, professional associations, worker cooperatives, workers’ centers, CBOs.
	10. Establish higher standards for public investment to ensure that investment of public dollars is aligned with the goal of economic opportunity.	Living wage, community benefits agreements, first source hiring requirements, project labor agreements	Local, regional, state and federal governments

In addition to the above strategies, there are important roles for the state and federal governments including:

- Income support and safety net policies (Medicaid/MediCal, unemployment insurance, CalWORKs, subsidized child care, earned-income tax credit, food stamps, housing, Social Security)
- Investment (education, workforce, transportation, infrastructure, housing, clean energy, child care)
- Benefits (portable benefits, maintaining a strong health care exchange)
- Immigration reform
- Trade policy
- Wage policy (minimum wage)
- Environmental review process - California Environmental Quality Act (CEQA)